

REP. PETE STARK (CA)

SENIOR DEMOCRAT

REP. CAROLYN B. MALONEY (NY)

REP. MELVIN L. WATT (NC)

REP. BARON P. HILL (IN)

SEN. JACK REED (RI)

SEN. EDWARD M. KENNEDY (MA)

SEN. PAUL S. SARBANES (MD)

SEN. JEFF BINGAMAN (NM)

Congress of the United States
Joint Economic Committee
Democrats

108TH CONGRESS

804 HART SENATE OFFICE
BUILDING
WASHINGTON, DC 20510-6602
202-224-0372
FAX 202-224-5568
www.senate.gov/~jec/democrats

WENDELL PRIMUS
STAFF DIRECTOR

October 8, 2003

**CBO FINDS FEDERAL TAXES ARE A SMALLER SHARE OF INCOME
FOR MOST AMERICANS OVER THE LAST TWO DECADES**

Dear Colleague:

I want to call your attention to the attached charts, prepared by the Joint Economic Committee (JEC) Democrats, showing that a recent report by the Congressional Budget Office (CBO) belies the Bush claim that the tax cuts enacted in 2001 were needed to offset a significant increase in federal tax burdens over the previous six years.

CBO data show that when households are ranked by income, federal taxes have *declined* as a share of household income over the past 20 years for the first 80 percent of households. This includes all federal income, payroll, and excise taxes (Figure 1).

Combined federal taxes for the 20 percent of households with the highest incomes was at a modestly higher share of income in 2000 than at the end of the 1980's. However, the overwhelming reason for the increase was the rapid growth in real income (inflation-adjusted) among higher income households, especially among the one percent of households with the very highest income. With a progressive federal income tax, people pay more of their income in taxes when their incomes grow.

Average real income for the 20 percent of households with the highest income was nearly 70 percent higher in 2000 than two decades ago (Figure 2). This is even after subtracting all federal income, payroll, and excise taxes. In contrast, average after-tax income for the next 20 percent of households was 24 percent higher over the same period, while after-tax income for the poorest 20 percent of households was only 8 percent higher.

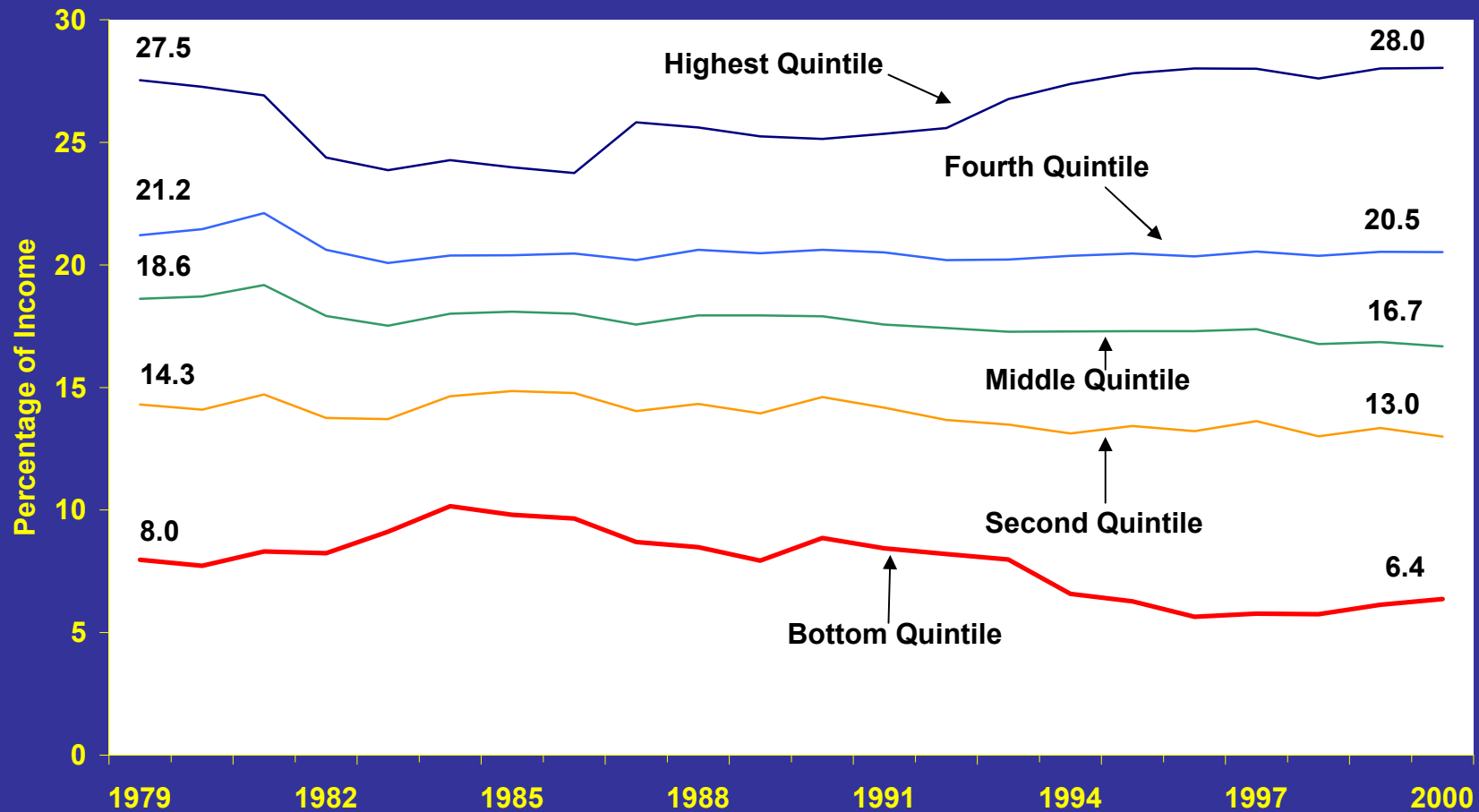
All of the JEC Democrats' "Economic Points-of-Interest Charts" or E-PICs can be viewed at <<http://jec.senate.gov/democrats>>. These charts are downloadable for use on the floor or in newsletters.

Please take the time to view the chart and to understand what has happened to tax burdens over the last two decades. If you have questions about this E-PIC, please talk to me or have your staff contact JEC deputy director Frank Sammartino at 202-224- 0372 or e-mail him <Frank_Sammartino@jec1.senate.gov>.

Sincerely,

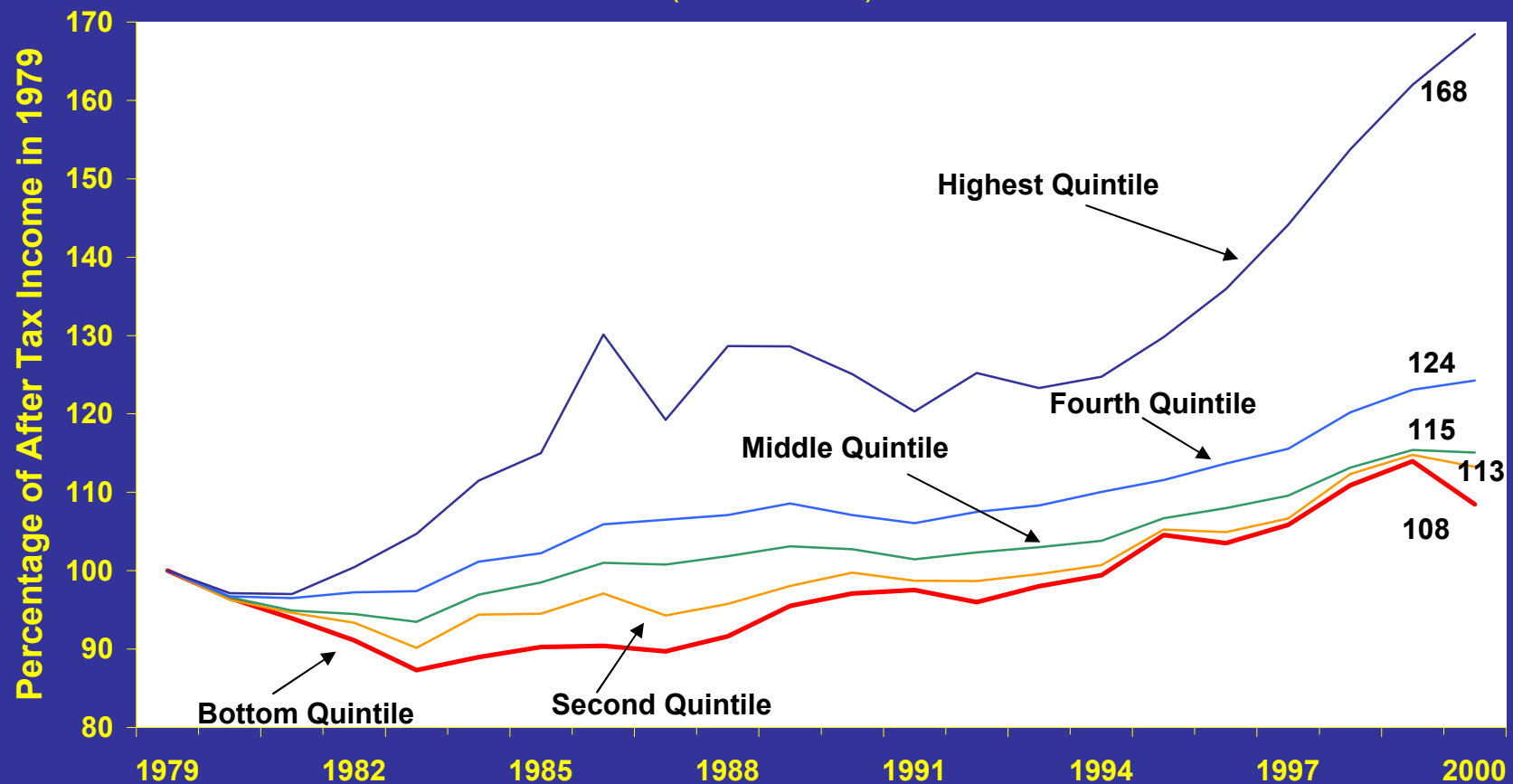
Pete Stark

Figure 1
Percentage of Income Paid in Total Federal Taxes
by Income Quintile, 1979-2000



Source: The Congressional Budget Office. *Effective Federal Tax Rates, 1997 to 2000*. August 2003.

Figure 2
Percentage Change in After Tax Income Since 1979
by Income Quintile, 1979-2000
(2000 dollars)



Source: The Congressional Budget Office. *Effective Federal Tax Rates, 1997 to 2000*. August 2003.